

Report of the Directors and Audited Financial Statements

ABERDEEN RESTAURANT ENTERPRISES LIMITED
(Incorporated in Hong Kong with limited liability)

31 December 2018



The English version shall always prevail in case of any discrepancy or inconsistency between English version and its Chinese translation.

ABERDEEN RESTAURANT ENTERPRISES LIMITED

CONTENTS

	Pages
REPORT OF THE DIRECTORS	1 - 3
INDEPENDENT AUDITOR'S REPORT	4 - 6
AUDITED FINANCIAL STATEMENTS	
Consolidated statement of profit or loss and other comprehensive income	7
Consolidated statement of financial position	8 - 9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11 - 12
Notes to financial statements	13 - 57

ABERDEEN RESTAURANT ENTERPRISES LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2018.

Principal activities

The Company is principally engaged in operating Jumbo Floating Restaurant, souvenir shop and property investment. The activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements.

Business review

The total sales from the restaurant operation decreased by approximately 6.8 % to HK\$82.5 million. Among the F&B operation, even local living index and inflation seriously rising, corporate events banquet sales increased approximately 11.6% while tour group sales declined approximately 14.3%. But, the total number of customers recorded a drop of approximately 8.9%.

During the year, the Company implemented appropriate cost-control measures. As a result, the total operating costs are remained almost at the same level as in last year. The Company has also put in considerable efforts to further improve the quality of food and services and promotional campaigns were launched to boost up market sales. To comply with new regulations and to improve workplace safety, the Group has decided to construct a new kitchen vessel which will from commencement of work take at least 18 to 20 months to complete. We believe that a new kitchen vessel will enhance our produce logistics and improve our service to boost up sales.

Culinary in seafood demands top quality ingredients with absolute freshness and there is no tolerance for any quality issue in food or beverage. We have in place quality assurance processes to ensure all dishes are produced in accordance with applicable specifications requirements. External independent resources are engaged where additional assurance is required. To ensure best quality of our seafood, the Company has also installed “Ultraviolet Sea Water Sterilizing System” for all the fish tanks.

In the coming years, the Company will take advantage of the upturn of Hong Kong economy to seek for appropriate opportunities to further strengthen the Company’s earning potential.

Environmental policies and performance

The Company recognizes the importance of environmental sustainability against modern ecological challenges. To enhance environmental awareness and encourage daily participation among staff in the continuous improvement of environmental protection, the Company implements green office practices, such as implementing paperless practice whenever possible, engaging staff regularly on low carbon office measures and encouraging them to switch off non-essential lights and maintain an average indoor temperature between 24-26 degree Celsius. Furthermore, the Company has replaced T5 fluorescent lamp fixture in car park podium and achieved energy saving of 41% in a year based on a professional assessment report. The Company commits to the long term sustainability of environment protection to maintain a wastewater treatment system at the barge of Jumbo Floating Restaurant for treating and processing the effluent from the restaurant. The Company will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Company’s businesses to enhance environmental sustainability.

ABERDEEN RESTAURANT ENTERPRISES LIMITED

REPORT OF THE DIRECTORS

Compliance with the relevant laws and regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. The Board considers that there is no compliance issue that has a significant impact on the Company. The Board monitors the Company's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees from time to time.

Relationships with employees, suppliers and customers

The Company understands that employees are valuable assets. It regularly reviews the remuneration package of employees and makes necessary adjustments taking into account the prevailing market conditions.

The Company also understands the importance of maintaining good relationship with its suppliers and customers. It has established long term business relationship with the suppliers which ensures delivering constantly high standards of quality in the products and services. The Company maintains close relationship with customers.

Dividend

The directors do not recommend the payment of dividend in respect of the year.

Directors

The directors during the year and up to the date of this report are:

The following persons were elected as directors at the ordinary general meeting held on 4 June 2018

Mr. Evan Andrew Winkler
Mr. Chung Yuk Man
Mr. Leung Hoi Wai

The following persons retired as executive directors with effect from the conclusion of the ordinary general meeting held on 4 June 2018

Dr. Stanley Ho
Mr. Ho, Lawrence Yau Lung
Ms. Lo Sau Yan, Sharen
Madam Chu Bick Yuk
Mr. Tsui Che Yin, Frank
Mr. Tsang Yuen Wai, Samuel

The following persons retired as or ceased to be non-executive directors with effect from the conclusion of the ordinary general meeting held on 4 June 2018

Dr. Cheng Kar Shun, Henry
Ms. Fong Siu Yee, Irene
Mr. Ho Pak Tao
Madam Laam King Ying, Lucina
Madam Lai Miu Hing
Mr. Lam Kam Chan
Mr. Law Kwing Sum
Mr. Li Kwok Po, David
Ms. Wong Man Hing, Alice
Mr. Wong Tai Yu

ABERDEEN RESTAURANT ENTERPRISES LIMITED

REPORT OF THE DIRECTORS

In accordance with the Company's articles of association, all existing directors shall retire and are eligible to offer themselves for re-election at the forthcoming ordinary general meeting (the "2019 AGM").

Directors' interests

Save for the share option scheme and the share award scheme of Melco International Development Limited ("Melco International"), ultimate holding company, as disclosed in note 38 to the consolidated financial statements of Melco International to be included in Melco International's 2018 annual report, at no time during the year was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts

Save as disclosed in note 25 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which any of the Company's holding companies, subsidiaries and fellow subsidiaries was a party during the year.

Equity-linked agreements

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

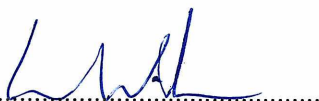
Permitted indemnity provision

During the year, a permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the directors of the Company was in force. The directors and officers liability and company reimbursement insurance maintained by Melco International included the coverage for the existing and former directors of the Company.

Auditor

A resolution will be submitted to the 2019 AGM to re-appoint Ernst & Young as auditor of the Company.

ON BEHALF OF THE BOARD



.....
Evan Andrew Winkler
Director

Hong Kong
29 March 2019

Independent auditor's report**To the members of Aberdeen Restaurant Enterprises Limited**

(Incorporated in the Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Aberdeen Restaurant Enterprises Limited (the "Company") and its subsidiaries (the "Group") set out on pages 7 to 57, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Group are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Group either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Independent auditor's report (continued)

To the members of Aberdeen Restaurant Enterprises Limited

(Incorporated in the Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent auditor's report (continued)
To the members of Aberdeen Restaurant Enterprises Limited
(Incorporated in the Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Certified Public Accountants
Hong Kong
29 March 2019

ABERDEEN RESTAURANT ENTERPRISES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 HK\$	2017 HK\$
REVENUE	4	82,531,881	88,508,078
Cost of sales		<u>(23,357,503)</u>	<u>(25,165,956)</u>
Gross profit		59,174,378	63,342,122
Other income and gains, net	4	2,228,336	1,727,521
Administrative expenses		(73,386,436)	(76,367,479)
Increase in fair value of investment properties	10	36,000,000	84,000,000
Finance costs	5	<u>(624,489)</u>	<u>(545,002)</u>
PROFIT BEFORE TAX	6	23,391,789	72,157,162
Income tax	7	<u>-</u>	<u>-</u>
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>23,391,789</u>	<u>72,157,162</u>
Profit and total comprehensive income attributable to:			
Owner of the Company		23,380,313	72,161,915
Non-controlling interests		<u>11,476</u>	<u>(4,753)</u>
		<u>23,391,789</u>	<u>72,157,162</u>

ABERDEEN RESTAURANT ENTERPRISES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK\$	2017 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	9	6,863,232	7,906,790
Investment properties	10	310,000,000	274,000,000
Loan to ultimate holding company	14	14,055,000	19,035,000
Loan to immediate holding company	16	27,500,000	27,500,000
Total non-current assets		<u>358,418,232</u>	<u>328,441,790</u>
CURRENT ASSETS			
Inventories	12	1,458,706	1,716,671
Loan to ultimate holding company	14	4,980,000	4,980,000
Due from ultimate holding company	15	177,994	138,003
Due from immediate holding company	15	687,958	7,007
Due from fellow subsidiaries	15	-	417,553
Trade receivables	13	1,693,706	2,283,202
Prepayments, deposits and other receivables		4,139,197	4,065,293
Restricted cash		947,000	947,000
Bank deposits with original maturity over three months	17	40,000,000	78,641,556
Cash and bank balances	17	39,690,005	13,183,133
		<u>93,774,566</u>	<u>106,379,418</u>
CURRENT LIABILITIES			
Trade and other payables	18	59,292,516	60,075,115
Receipts on accounts		-	285,000
Due to fellow subsidiaries	15	37,500	10,100
Interest-bearing bank borrowings	19	4,980,000	4,980,000
		<u>64,310,016</u>	<u>65,350,215</u>
NET CURRENT ASSETS		<u>29,464,550</u>	<u>41,029,203</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>387,882,782</u>	<u>369,470,993</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	19	14,350,000	19,330,000
		<u>14,350,000</u>	<u>19,330,000</u>
Net assets		<u>373,532,782</u>	<u>350,140,993</u>

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ABERDEEN RESTAURANT ENTERPRISES LIMITED

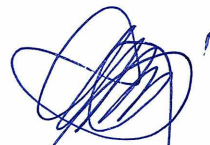
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2018

	Note	2018 HK\$	2017 HK\$
EQUITY			
Equity attributed to owners of the Company			
Issued capital	20	25,075,000	25,075,000
Reserves		348,213,783	324,833,470
		<u>373,288,783</u>	<u>349,908,470</u>
Non-controlling interests		<u>243,999</u>	<u>232,523</u>
Total equity		<u><u>373,532,782</u></u>	<u><u>350,140,993</u></u>



.....
Evan Andrew Winkler
Director



.....
Chung Yuk Man
Director

ABERDEEN RESTAURANT ENTERPRISES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributed to the owners of the Company				Non-controlling interests HK\$	Total HK\$
	Share capital HK\$	Revaluation reserves HK\$	Retained profits HK\$	Total HK\$		
At 1 January 2017	25,075,000	17,731,619	234,939,936	277,746,555	237,276	277,983,831
Profit for the year and total comprehensive income for the year	-	-	72,161,915	72,161,915	(4,753)	72,157,162
At 31 December 2017 and 1 January 2018	25,075,000	17,731,619*	307,101,851*	349,908,470	232,523	350,140,993
Profit for the year and total comprehensive income for the year	-	-	23,380,313	23,380,313	11,476	23,391,789
At 31 December 2018	<u>25,075,000</u>	<u>17,731,619*</u>	<u>330,482,164*</u>	<u>373,288,783</u>	<u>243,999</u>	<u>373,532,782</u>

* These reserve accounts comprise the consolidated reserves of HK\$348,213,783 (2017: HK\$324,833,470) in the consolidated statement of financial position.

ABERDEEN RESTAURANT ENTERPRISES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 HK\$	2017 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		23,391,789	72,157,162
Adjustments for:			
Bank interest income	4	(1,086,884)	(609,608)
Other interest income	4	(805,901)	(752,903)
Loss on disposal of items of property, plant and equipment, net	6	19,776	21,058
Increase in fair value of investment properties	10	(36,000,000)	(84,000,000)
Depreciation of items of property, plant and equipment	6	1,365,006	1,561,401
Finance costs	5	624,489	545,002
		<u>(12,491,725)</u>	<u>(11,077,888)</u>
Decrease in inventories		257,965	222,469
Decrease/(increase) in amounts due from fellow subsidiaries		417,553	(4,855)
Decrease/(increase) in trade receivables		589,496	(754,838)
(Increase)/decrease in prepayments, deposits and other receivables		(73,904)	1,221,202
Increase/(decrease) in amounts due to fellow subsidiaries		27,400	(348,428)
(Decrease)/increase in trade and other payables		<u>(782,599)</u>	<u>1,034,794</u>
Net cash flows used in operating activities		<u>(12,055,814)</u>	<u>(9,707,544)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of bank deposits with original maturity over three months		261,192,889	121,448,745
Repayment from ultimate holding company		4,940,009	5,016,779
Increase in amount due from immediate holding company		(680,951)	-
Receipt of deposit from disposal of investment properties		-	50,000,000
Interest received		1,892,785	1,362,511
Placement of bank deposits with original maturity over three months		(222,551,333)	(149,668,421)
Purchases of property, plant and equipment		<u>(341,224)</u>	<u>(4,736,911)</u>
Net cash flows from investing activities		<u>44,452,175</u>	<u>23,422,703</u>

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ABERDEEN RESTAURANT ENTERPRISES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2018

	Notes	2018 HK\$	2017 HK\$
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of interest-bearing bank borrowings		(4,980,000)	(4,980,000)
Repayment to debenture holders		(285,000)	(575,000)
Interest paid		<u>(624,489)</u>	<u>(545,002)</u>
Net cash flows used in financing activities		<u>(5,889,489)</u>	<u>(6,100,002)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		<u>13,183,133</u>	<u>5,567,976</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>39,690,005</u></u>	<u><u>13,183,133</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	17	<u><u>39,690,005</u></u>	<u><u>13,183,133</u></u>

ABERDEEN RESTAURANT ENTERPRISES LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2018

1. CORPORATE AND GROUP INFORMATION

Aberdeen Restaurant Enterprises Limited (the “Company”) is a limited liability company incorporated in the Hong Kong. The registered office of the Company is located at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong and the principal place of business of the Company is located at Shum Wan Pier Drive, Wong Chuk Hang, Aberdeen, Hong Kong. In the opinion of directors, its immediate holding company is Melco Leisure and Entertainment Group Limited, a private limited company incorporated in the British Virgin Islands. Its ultimate holding company is Melco International Development Limited (“Melco International”), a company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited.

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were engaged in the operations of Jumbo Floating Restaurant, souvenir shop and property investment.

Information about subsidiaries

Particulars of the Company’s subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Place of registration and operations</u>	<u>Paid up and registered capital</u>	<u>Percentage of equity attributable to the Company</u>	<u>Principal activities</u>
Tai Pak Sea-Food Restaurant Limited	Hong Kong	HK\$1,350,000	97.78%	Lease out a floating restaurant to the Company
Sea Palace, Limited	Hong Kong	HK\$1,950,000	99.74%	Dormant
Jumbo Catering Management Limited	Hong Kong	HK\$1,100,000	100%	Provision of management services

During the year ended 31 December 2018, the Group disposed of its wholly-owned subsidiary, J Kitchen Catering Management Limited, to a fellow subsidiary of the Group, further details are disclosed in note 11 to the consolidated financial statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, and equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollar (“HK\$”), which is also the Company’s functional currency.

31 December 2018

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of its subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

31 December 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28</i>

Other than as explained below regarding the impact of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers*, the adoption of the above new and revised standards has had no significant financial effect on these consolidated financial statements.

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement*, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has adopted HKFRS 9 from 1 January 2018 and did not restate comparative information in accordance with the transitional provisions in HKFRS 9. The impacts from adopting HKFRS 9 relate to the impairment model is summarized as follows:

Changes to the impairment model

HKFRS 9 requires an impairment of financial assets based on an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses ("ECLs") and changes in those ECLs at each reporting date to reflect changes in credit risk since initial recognition. Upon adoption of HKFRS 9, the Group has applied the simplified approach to recognize lifetime ECLs for its trade receivables. The Group has determined that the adoption of HKFRS 9 did not have a significant impact on the provision for impairment on its trade receivables and hence did not result in an adjustment of the opening retained profits at 1 January 2018.

31 December 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers. Under HKFRS 15, revenues are recognized at amounts that reflect the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers. The principles in the HKFRS 15 provide a more structured approach to measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 4 to the consolidated financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the consolidated financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

Although the application of HKFRS 15 has impacted on the classification of certain items in the financial statements, it has had no impact on the financial performance of the Group. Hence, no cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. The comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

For the year ended 31 December 2018

	Note	<u>Amounts prepared under</u>		Increase/ (decrease) HK\$
		HKFRS 15 HK\$	Previous HKFRSs HK\$	
Trade and other payables	(a)	59,292,516	59,292,516	-

31 December 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

(a) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables included in trade and other payables. Under HKFRS 15, the amount is classified as contract liabilities which are also included in trade and other payables.

The application of HKFRS 15 has had no impact on the financial position or performance of the Group, except for the reclassification of consideration received from customers in advance as other payables to contract liabilities.

Accordingly, upon the adoption of HKFRS 15, the Group reclassified HK\$501,283 from other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, had the Group not applied HKFRS 15, contract liabilities of HK\$376,286 in relation to the consideration received from customers in advance for the provision of catering services would have been included as other payables.

31 December 2018

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

Amendments to HKFRS 3	<i>Definition of a Business</i> ²
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 16	<i>Leases</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ²
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ¹
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to the following standards: - HKFRS 3 <i>Business Combinations</i> ¹ - HKFRS 11 <i>Joint Arrangements</i> ¹ - HKAS 12 <i>Income Taxes</i> ¹ - HKAS 23 <i>Borrowing Costs</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

31 December 2018

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS
(continued)

HKFRS 16, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40 *Investment Property*, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognize the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the consolidated statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed an assessment on the impact of adoption of HKFRS 16. As disclosed in note 23(b) to the consolidated financial statements, at 31 December 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK\$126,800. Upon adoption of HKFRS 16, certain amounts included therein will be recognized as new right-of-use assets and lease liabilities. Further analysis will be needed to determine the amount of new rights of use assets and lease liabilities to be recognized, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, as at the date of adoption.

31 December 2018

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS
(continued)

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognizing losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's consolidated financial statements.

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest input that is significant to the fair value measurement as a whole) at the end of each reporting period.)

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than goodwill, deferred tax assets, inventories, income tax recoverable, financial assets and non-current assets and assets of a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has controls or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a holding company of the Group;

or

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity; and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value, if any, over its estimated useful life. The principal annual rates used for this purpose are as follows:

Restaurant vessels, ferries and pontoons	5% to 10%
Operating equipment	10 %
Properties	2.5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefit are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Lease premiums for land under operating leases are stated at cost less any accumulated impairment losses and amortised on the straight-line basis over the lease terms.

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)
(continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognized as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other operating expenses in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in other operating expenses in profit or loss.

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

(continued)

General approach (continued)

The Group considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)
(continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in profit or loss.

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to a related company and directors, and interest-bearing bank borrowings.

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices for inventories less any estimated costs to be incurred to completion and disposal.

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (applicable from 1 January 2018)

On 1 January 2018, the Group adopted HKFRS 15, Revenue from Contracts with Customers, using the modified retrospective method.

The Group's revenues from contracts with customers consist of sales of goods and provision of catering services.

Sales of goods and provision of catering services

The transaction prices of goods and catering services are the net amounts collected from customers for such goods and services and are recorded as revenues when the goods are provided, services are performed. Service taxes and other applicable taxes collected by the Group are excluded from revenues. Revenues from contracts with multiple goods or services provided by the Group are allocated to each good or services based on its relative standalone selling price.

Revenue from other sources

- (a) Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (b) rental income is recognized on a time proportion basis over the lease terms.

Revenue recognition (applicable before 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable and is reduced from estimated customers returns, rebates and other similar allowances. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sales of goods is recognised when the goods are delivered and titles have passed;
- (b) from the provision of catering services and other services are recognized when the services are provided;
- (c) interest income, on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset; and
- (d) rental income, on a time proportion basis over the lease terms.

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Employee benefits

Employment Ordinance long service payments

Under the Employment Ordinance, certain of the Group's employees will be eligible for long service payments upon completion of the required number of years of service to the Group. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the end of the reporting period, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs are recognised as expenses in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

31 December 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in customers that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Impairment of trade receivables

The Group applies HKFRS 9 simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various patron segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The information about the ECLs on the Group's trade receivables is disclosed in note 13 to the consolidated financial statements.

(b) Impairment of property, plant and equipment

The carrying amounts of items of property, plant and equipment are reviewed for impairment annually or, where appropriate, when events or changes in circumstances indicate that the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in note 2.4 to the consolidated financial statements. The recoverable amount is calculated as the higher of an asset's or cash generating unit's fair value less costs of disposal and value in use, and calculations involve the use of estimates. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

ABERDEEN RESTAURANT ENTERPRISES LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2018

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2018 HK\$	2017 HK\$
<u>Revenue</u>		
Revenue from contracts with customers	77,079,837	-
Catering services	-	83,133,240
Sales from souvenir shop	-	271,182
Rental income	<u>5,452,044</u>	<u>5,103,656</u>
	<u>82,531,881</u>	<u>88,508,078</u>

(a) Disaggregated revenue information for revenue from contracts with customers

	2018 HK\$
Type of goods or services	
Catering services	76,783,817
Sales from souvenir shop	<u>296,020</u>
Total revenue from contracts with customers	<u>77,079,837</u>

The following table shows the amounts of revenue recognised in the current reporting period that was included in contract liabilities at the beginning of the reporting period:

	2018 HK\$
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Catering services	<u>362,934</u>

ABERDEEN RESTAURANT ENTERPRISES LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2018

4. REVENUE, OTHER INCOME AND GAINS, NET (continued)

An analysis of other income and gains, net, is as follows:

	2018 HK\$	2017 HK\$
<u>Other income</u>		
Bank interest income	1,086,884	609,608
Other interest income	805,901	752,903
Sundry income	<u>335,551</u>	<u>365,010</u>
	<u>2,228,336</u>	<u>1,727,521</u>

5. FINANCE COSTS

	2018 HK\$	2017 HK\$
Interest on interest-bearing bank borrowings	<u>624,489</u>	<u>545,002</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Note	2018 HK\$	2017 HK\$
Rental income		(5,452,044)	(5,103,656)
Less: outgoings		<u>295,971</u>	<u>287,722</u>
		<u>(5,156,073)</u>	<u>(4,815,934)</u>
Auditor's remuneration		115,000	115,000
Depreciation of items of property, plant and equipment	9	1,365,006	1,561,401
Loss on disposal of property, plant and equipment		19,776	21,058
Directors' remuneration:			
Fees		137,500	330,000
Pension scheme contributions		11,642	27,018
Other emoluments		<u>461,063</u>	<u>1,274,940</u>
		<u>610,205</u>	<u>1,631,958</u>

ABERDEEN RESTAURANT ENTERPRISES LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2018

6. PROFIT BEFORE TAX (continued)

	2018 HK\$	2017 HK\$
Other employee benefits expense (excluding directors' remuneration):		
Wages and salaries	47,275,646	48,892,124
Pension scheme contributions	<u>2,040,982</u>	<u>2,150,482</u>
	<u>49,316,628</u>	<u>51,042,606</u>

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2017: Nil).

A reconciliation of the tax applicable to profit before tax at the Hong Kong statutory tax rate to the tax amount at the Group's effective tax rate is as follows:

	2018 HK\$	2017 HK\$
Profit before tax	<u>23,391,789</u>	<u>72,157,162</u>
Tax at the Hong Kong statutory tax rate of 16.5%	3,859,645	11,905,932
Income not subject to tax	(6,141,232)	(13,960,565)
Expenses not deductible for tax	206,318	-
Utilisation of deductible temporary differences previously not recognised	(330,131)	(304,512)
Tax losses not recognised	<u>2,405,400</u>	<u>2,359,145</u>
Tax charge at the effective rate	<u>-</u>	<u>-</u>

As at 31 December 2018, the Group has unused tax losses of approximately HK\$110,724,000 (2017: HK\$96,236,000) available for offset against future profits. No deferred tax assets has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK\$19,613,000 (31 December 2017: HK\$21,614,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

ABERDEEN RESTAURANT ENTERPRISES LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2018

8. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year (2017: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

	Restaurant vessels, ferries and pontoons HK\$	Operating equipment HK\$	Properties HK\$	Total HK\$
Cost:				
At 1 January 2017	76,326,690	54,759,428	140,182	131,226,300
Additions	4,408,842	328,069	-	4,736,911
Disposal/written off	(100,000)	(258,425)	-	(358,425)
At 31 December 2017	80,635,532	54,829,072	140,182	135,604,786
Additions	-	341,224	-	341,224
Disposal/written off	(43,800)	(116,036)	-	(159,836)
At 31 December 2018	<u>80,591,732</u>	<u>55,054,260</u>	<u>140,182</u>	<u>135,786,174</u>
Accumulated depreciation and impairment				
At 1 January 2017	74,023,240	52,367,304	83,418	126,473,962
Charge for the year	1,024,328	534,472	2,601	1,561,401
Disposal/written off	(100,000)	(237,367)	-	(337,367)
At 31 December 2017	74,947,568	52,664,409	86,019	127,697,996
Charge for the year	867,161	495,244	2,601	1,365,006
Disposal/written off	(43,800)	(96,260)	-	(140,060)
At 31 December 2018	<u>75,770,929</u>	<u>53,063,393</u>	<u>88,620</u>	<u>128,922,942</u>
Net book value at 31 December 2018	<u>4,820,803</u>	<u>1,990,867</u>	<u>51,562</u>	<u>6,863,232</u>
Net book value at 31 December 2017	<u>5,687,964</u>	<u>2,164,663</u>	<u>54,163</u>	<u>7,906,790</u>

ABERDEEN RESTAURANT ENTERPRISES LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2018

10. INVESTMENT PROPERTIES

	2018 HK\$	2017 HK\$
Carrying amount at the beginning of the year	274,000,000	190,000,000
Net increase in fair value recognized in profit or loss	<u>36,000,000</u>	<u>84,000,000</u>
Carrying amount at the end of the year	<u>310,000,000</u>	<u>274,000,000</u>

All of the Group's investment properties are rented out under operating leases to earn rentals or for capital appreciation purposes, measured using the fair value model and are classified and accounted for as investment properties. All of the Group's investment properties have been pledged to secure against the Group's interest-bearing borrowings.

In estimating the fair value of investment properties, the Group engages third party qualified external valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation technique and inputs. The valuation technique is determined based on the availability and validity of the assumptions and inputs when performing the valuation and applying professional judgement. The fair value as at 31 December 2018 was determined based on the direct comparison method (2017: income capitalization method).

The direct comparison method makes reference to market transactions of similar properties in similar locations to arrive at the fair value as at the date of valuation and discounted by the bulk discount rate of 35%. The bulk discount rate is derived from analyzing the sales transactions of similar properties in the vicinity and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. Also, the bulk discount rate has being taken into account the restriction on the terms that the car parking spaces have to be disposed as a whole lot rather than on an individual unit basis.

Income capitalization method is by making reference to the rental income of the subject property and discounted by the market yield expected by the investors for this type of properties. The market yield is derived from analyzing the sales transactions and rental of similar properties in the vicinity and adjusted to take into account the market expectation from property investors to reflect factors specific to the investment properties. The bulk discount rate of 30% reflects the fact that the car parking spaces have to be disposed of in the market as a whole lot rather than on an individual unit basis.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

ABERDEEN RESTAURANT ENTERPRISES LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2018

10. INVESTMENT PROPERTIES (continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation technique and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 3 fair value measurement

<u>Description</u>	<u>Valuation technique and key inputs</u>	<u>Significant unobservable inputs</u>	<u>Relationship of unobservable inputs to fair value</u>	<u>Fair value</u>	
				<u>2018</u>	<u>2017</u>
				HK\$'000	HK\$'000
Car parking spaces	Direct comparison method			310,000	N/A
	(1) Unit sale rate	Unit sale rate, taking into account the time, location, nature of the car parking spaces between the comparable and the property, of sales amount ranging from HK\$460,000 to HK\$2,000,000 per car parking space.	An increase in the unit sale rate used would result in an increase in fair value, and vice versa		
	(2) Bulk discount rate	Bulk discount rate at 35% of the fair value of the car parking spaces has been used for valuation.	An increase in the discount rate used would result in a decrease in fair value, and vice versa.		
	Income capitalization method			N/A	274,000
	(1) Monthly rental income	Monthly rental income, taking into account the average monthly rental of HK\$566,000.	An increase in the monthly rental income used would result in an increase in fair value, and vice versa		
	(2) Bulk discount rate	Bulk discount rate at 30% of the fair value of the car parking spaces has been used for valuation.	An increase in the discount rate used would result in a decrease in fair value, and vice versa.		

ABERDEEN RESTAURANT ENTERPRISES LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2018

11. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2018, the Group disposed of a wholly-owned subsidiary, J Kitchen Catering Management Limited, to a fellow subsidiary of the Group for a consideration of HK\$1. The subsidiary was dormant during the year and up to the date of disposal. The disposed subsidiary did not have any asset or liability as at the date of disposal. A gain on disposal of a subsidiary amounted to HK\$1 was recognized by the Group.

12. INVENTORIES

	2018	2017
	HK\$	HK\$
Food and beverages	1,095,352	1,206,106
Souvenirs	89,341	105,959
Fuel	59,595	172,817
Other consumables	<u>214,418</u>	<u>231,789</u>
	<u>1,458,706</u>	<u>1,716,671</u>

ABERDEEN RESTAURANT ENTERPRISES LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2018

13. TRADE RECEIVABLES

	2018 HK\$	2017 HK\$
Trade receivables	<u>1,693,706</u>	<u>2,283,202</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk.

Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing. They are stated net of loss allowance.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018 HK\$	2017 HK\$
Within 30 days	1,154,250	1,654,147
31 – 90 days	171,599	626,055
Over 90 days	<u>367,857</u>	<u>3,000</u>
	<u>1,693,706</u>	<u>2,283,202</u>

Impairment of trade receivables under HKFRS 9 for the year ended 31 December 2018

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. As at 31 December 2018, all the trade receivables are not yet past due. The expected credit losses have also incorporated forward looking information. The expected credit loss as at 31 December 2018 is considered to be minimal.

Impairment of trade receivables under HKAS 39 for the year ended 31 December 2017

Based on past experience, the directors of the Group were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of the trade receivables balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

ABERDEEN RESTAURANT ENTERPRISES LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2018

14. LOAN TO ULTIMATE HOLDING COMPANY

As at 31 December 2018, loan to ultimate holding company includes HK\$19,035,000 (2017: HK\$24,015,000) which is unsecured, interest bearing at Hong Kong Interbank Offered Rate (“HIBOR”) plus 2% (2017: HIBOR plus 2%) per annum, in which HK\$4,980,000 (2017: HK\$4,980,000) is repayable within one year and the remaining portion is repayable after one year.

15. AMOUNTS DUE FROM (TO) FELLOW SUBSIDIARIES, IMMEDIATE HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

The balances are unsecured, non-interest bearing and repayable on demand.

16. LOAN TO IMMEDIATE HOLDING COMPANY

As at 31 December 2018, loan to immediate holding company of HK\$27,500,000 (2017: HK\$27,500,000) is unsecured, interest bearing at the deposit rate offered by the Hong Kong and Shanghai Banking Corporation for a deposit of similar amount and term, and not repayable within one year.

17. CASH AND BANK BALANCES

Cash and bank balances comprise cash held by the Group and short-term bank deposits, with original maturities of three months or less, carry prevailing deposit interest rate.

18. TRADE AND OTHER PAYABLES

	2018 HK\$	2017 HK\$
Trade payables	2,203,991	2,673,950
Other payables and accruals	56,712,239	57,401,165
Contract liabilities (Note)	<u>376,286</u>	<u>-</u>
	<u>59,292,516</u>	<u>60,075,115</u>

The trade payables are non-interest bearing and are normally settled on terms of 30 to 90 days.

ABERDEEN RESTAURANT ENTERPRISES LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2018

18. TRADE AND OTHER PAYABLES (continued)

As of 31 December 2018, the amount of other payables and accruals included a deposit of HK\$50,000,000 received from a third party buyer who had failed to complete the sale and purchase agreement to purchase the investment properties as further disclosed in note 10 during the year 2017 (the “Disposal Transaction”). As of the date of approval of these financial statements, the Disposal Transaction is subject to court and legal proceedings between the Group and the third party buyer. Management will only recognize this amount as revenue of the Group when there is a more definitive outcome from the ongoing legal proceedings.

Note:

Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 HK\$	1 January 2018 HK\$
Short-term advances received from customers in relation to the provision of catering services	<u>376,286</u>	<u>501,283</u>

19. INTEREST-BEARING BANK BORROWINGS

	2018 HK\$	2017 HK\$
Interest-bearing bank borrowings, secured	<u>19,330,000</u>	<u>24,310,000</u>
Analyzed into:		
Interest-bearing bank borrowings repayable:		
Within one year	4,980,000	4,980,000
More than one year, but not exceeding two years	9,960,000	9,960,000
More than two years, but not exceeding five years	<u>4,390,000</u>	<u>9,370,000</u>
	<u>19,330,000</u>	<u>24,310,000</u>

All the bank borrowings are denominated in HK\$, the functional currency of relevant group entities, with interest rates of HIBOR plus 1.5% (2017: HIBOR plus 1.5%) per annum.

For the year ended 31 December 2018, the effective interest rate on the borrowings was 2.9% (2017: 2.02%) per annum.

ABERDEEN RESTAURANT ENTERPRISES LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2018

20. SHARE CAPITAL

	2018 HK\$	2017 HK\$
Class A shares		
Issued and fully paid:		
8,060 ordinary shares of with no par value	<u>8,060,000</u>	<u>8,060,000</u>
Class B shares		
Issued and fully paid:		
33,930 ordinary shares of with no par value	<u>17,015,000</u>	<u>17,015,000</u>

Class A shares and Class B shares rank equally with each other as to the right to dividend, voting and participation in surplus assets on a winding up and in all other respects according to the number of such shares respectively and not according to the nominal value thereof nor to the amount paid up thereon.

21. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 10 of the consolidated financial statements.

22. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings HK\$	Receipt on accounts HK\$
At 1 January 2018	24,310,000	285,000
Changes from financing cash flows	(5,604,489)	(285,000)
Interest expenses	<u>624,489</u>	<u>-</u>
At 31 December 2018	<u>19,330,000</u>	<u>-</u>

ABERDEEN RESTAURANT ENTERPRISES LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2018

23. OPERATING LEASE ARRANGEMENTS

(a) As lessor

At the end of the reporting period, the Group has entered into lease arrangements with certain tenants for its investment properties and have committed tenants for the next year. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases. During the year ended 31 December 2018, the Group earned contingent rentals of HK\$369,444 (2017: HK\$199,256).

	2018 HK\$	2017 HK\$
Within one year	4,992,350	4,778,600
In the second to fifth years, inclusive	<u>3,625,650</u>	<u>8,293,800</u>
	<u>8,618,000</u>	<u>13,072,400</u>

(b) As lessee

Minimum lease payments paid under operating leases during the year in respect of office premises were HK\$507,200 (2017: HK\$504,160). Lease for office premises are negotiated for terms of three years and can be terminated by a three-month notice.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK\$	2017 HK\$
Within one year	<u>126,800</u>	<u>126,800</u>

24. CAPITAL COMMITMENTS

	2018 HK\$	2017 HK\$
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided in the consolidated financial statements	<u>515,000</u>	<u>515,000</u>

ABERDEEN RESTAURANT ENTERPRISES LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2018

25. RELATED PARTY DISCLOSURES

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with the related parties during the year:

	2018 HK\$	2017 HK\$
<u>Directors</u>		
Catering income	143,214	461,514
<u>Fellow subsidiaries</u>		
Catering income	244,351	321,563
Website service fees paid	(270,000)	(270,000)
<u>Directors' associate companies</u>		
Catering income	68,805	332,445
Insurance premium paid	(480,630)	(1,530,855)
<u>Ultimate holding company</u>		
Interest income	722,708	670,403
<u>Immediate holding company</u>		
Interest income	<u>83,193</u>	<u>82,500</u>

The transactions were conducted at rates or prices mutually agreed between both parties.

- (b) Other transactions and balances with related parties
- (i) Details of the Group's balances with related companies are disclosed in notes 14, 15 and 16 to the consolidated financial statements.
- (ii) Key management personnel represented directors of the Company. Further details of directors' emoluments are included in note 6 to the consolidated financial statements.

31 December 2018

25. RELATED PARTY DISCLOSURES (continued)

(b) Other transactions and balances with related parties (continued)

(iii) Details of the disposal of a subsidiary to a fellow subsidiary of the Group are disclosed in note 11 to the consolidated financial statements.

26. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities which are due to be received or settled within one year are reasonable approximation of their respective fair values and, accordingly, no disclosure of the fair values of these financial instruments is made.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances and interest-bearing bank borrowings, which are held for the purpose of financing the Group's operations. The Group has various other financial instruments such as trade receivables, deposits and other receivables, trade payables, other payables and accruals which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. However, the directors analyse and formulate measures periodically to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

The directors review and agree policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group's exposure to interest rate risk relates principally to bank deposits and bank deposits with original maturity over three months. The Group is also exposed to interest rate risk in relation to loans to ultimate holding company and immediate holding company, interest-bearing bank borrowings which are based on the Hong Kong Interbank Offered Rate. The Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. The Group has not used any interest rate swap to hedge its exposure to interest rate risk.

As at 31 December 2018, if the interest rates had been 50 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the profit before tax for the year would have been increased/decreased by HK\$539,000 (2017: increased/decreased by HK\$600,000) as a result of higher/lower interest expenses on the Group's cash balance net of interest-bearing bank borrowings bore interest at variable rate.

31 December 2018

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Maximum exposure as at 31 December 2018

The carrying amounts of cash and bank balances, trade receivables and other receivables (except for prepayments), represent the Group's maximum exposure to credit risk in relation to financial assets. Most of the Group's cash and cash equivalents are held in major financial institutions located in Hong Kong, which management believes are of high credit quality. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to loss allowance is not significant. The Group applies the general approach for impairment of these financial assets. For the year ended 31 December 2018, the credit risks for these financial assets have not increased significantly since initial recognition and for which the loss allowances are measured at an amount equal to 12-month ECLs. The directors consider that the Group does not have a significant concentration of credit risk.

Maximum exposure as at 31 December 2017

The carrying amounts of cash and bank balances, trade receivables and other receivables (except for prepayments), represent the Group's maximum exposure to credit risk in relation to financial assets. Most of the Group's cash and cash equivalents are held in major financial institutions located in Hong Kong, which management believes are of high credit quality. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to loss allowance is not significant. The directors considered that the Group did not have a significant concentration of credit risk.

ABERDEEN RESTAURANT ENTERPRISES LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2018

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's exposure to liquidity risk is minimal as the Group will maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet their liquidity requirements in the short and longer term.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

2018	On demand HK\$	Less than 3 months HK\$	3 to less than 12 months HK\$	1 to 5 years HK\$	Over 5 years HK\$	Total HK\$
Trade and other payables	2,286,400	-	-	-	-	2,286,400
Interest-bearing bank borrowings	-	1,372,358	4,519,317	15,730,074	-	21,621,749
Due to fellow subsidiaries	37,500	-	-	-	-	37,500
	<u>2,323,900</u>	<u>1,372,358</u>	<u>4,519,317</u>	<u>15,730,074</u>	<u>-</u>	<u>23,945,649</u>
2017	On demand HK\$	Less than 3 months HK\$	3 to less than 12 months HK\$	1 to 5 years HK\$	Over 5 years HK\$	Total HK\$
Trade and other payables	2,951,532	-	-	-	-	2,951,532
Receipts on accounts	285,000	-	-	-	-	285,000
Interest-bearing bank borrowings	-	1,360,094	4,079,443	20,125,376	-	25,564,913
Due to fellow subsidiaries	10,100	-	-	-	-	10,100
	<u>3,246,632</u>	<u>1,360,094</u>	<u>4,079,443</u>	<u>20,125,376</u>	<u>-</u>	<u>28,811,545</u>

All financial assets and liabilities of the Group as at 31 December 2018 were stated at amortised cost (2017: financial assets stated at loans and receivables, and financial liabilities stated at amortised cost).

ABERDEEN RESTAURANT ENTERPRISES LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2018

28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK\$	2017 HK\$
NON-CURRENT ASSETS		
Property, plant and equipment	6,408,810	7,375,243
Investment properties	310,000,000	274,000,000
Investments in and advances to subsidiaries	3,841,195	3,841,196
Loan to ultimate holding company	14,055,000	19,035,000
Loan to immediate holding company	27,500,000	27,500,000
Total non-current assets	<u>361,805,005</u>	<u>331,751,439</u>
CURRENT ASSETS		
Inventories	1,458,706	1,716,671
Loan to ultimate holding company	4,980,000	4,980,000
Due from ultimate holding company	177,994	138,003
Due from immediate holding company	687,958	7,007
Due from fellow subsidiaries	-	417,553
Trade receivables	1,693,706	2,283,202
Prepayments, deposits and other receivables	3,666,174	3,636,946
Restricted cash	947,000	947,000
Bank deposits with original maturity over three months	40,000,000	78,641,556
Cash and bank balances	39,489,549	12,836,371
	<u>93,101,087</u>	<u>105,604,309</u>
CURRENT LIABILITIES		
Trade and other payables	59,245,276	60,045,615
Due to subsidiaries	31,297,393	30,801,410
Due to fellow subsidiaries	37,500	10,100
Interest-bearing bank borrowings	4,980,000	4,980,000
Receipts on accounts	-	285,000
	<u>95,560,169</u>	<u>96,122,125</u>
NET CURRENT (LIABILITIES)/ASSETS	<u>(2,459,082)</u>	<u>9,482,184</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>359,345,923</u>	<u>341,233,623</u>

ABERDEEN RESTAURANT ENTERPRISES LIMITED

NOTES TO FINANCIAL STATEMENTS

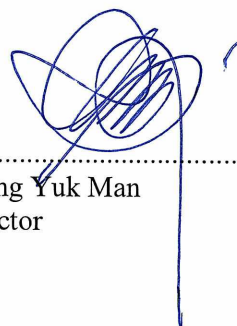
31 December 2018

28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

	2018 HK\$	2017 HK\$
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	14,350,000	19,330,000
	<u>14,350,000</u>	<u>19,330,000</u>
Net assets	<u>344,995,923</u>	<u>321,903,623</u>
EQUITY		
Share capital	25,075,000	25,075,000
Reserves (note)	<u>319,920,923</u>	<u>296,828,623</u>
	<u>344,995,923</u>	<u>321,903,623</u>



.....
Evan Andrew Winkler
Director



.....
Chung Yuk Man
Director

ABERDEEN RESTAURANT ENTERPRISES LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2018

28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve HK\$	Retained profits HK\$	Total HK\$
At 1 January 2017	15,459,703	208,597,673	224,057,376
Profit for the year and total comprehensive income for the year	<u>-</u>	<u>72,771,247</u>	<u>72,771,247</u>
At 31 December 2017 and 1 January 2018	15,459,703	281,368,920	296,828,623
Profit for the year and total comprehensive income for the year	<u>-</u>	<u>23,092,300</u>	<u>23,092,300</u>
At 31 December 2018	<u>15,459,703</u>	<u>304,461,220</u>	<u>319,920,923</u>

29. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 29 March 2019.

